

Message Text

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63

ACTION AF-06

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 DOTE-00 FMC-01 CG-00

OFA-01 DLOS-04 FEA-01 AGR-05 /092 W

----- 072910

R 011400Z MAR 76

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 8064

INFO AMEMBASSY BUJUMBURA

AMEMBASSY DAR ES SALAAM

AMEMBASSY KHARTOUM

AMEMBASSY KIGALI

LTAASSS KINSHASA 1307

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E.O. 11652: N/A

TAGS: ECON

SUBJECT: KENYA LIFTS TRADE BANS

REF NAIROBI 1904

1. SUMMARY: KENYA'S ECONOMIC REPRISALS AGAINST UGANDAN
COMMERCE EXPANDED BEYOND MOMBASA PORT BOYCOTTS TO BLOCKADES IN
WESTERN REGION WHICH HALTED ALL ROAD TRANSPORTATION ALONG
KENYA-UGANDA BORDER FROM FEBRUARY 26 TO 29. RAILWAYS AND
EAST AFRICAN AIRWAYS APPARENTLY NOT AFFECTED. PORT BOYCOTT
REPORTED IN REFTEL ENDED FEB 27, ACCORDING TO SHIPPING
AGENTS. THE THREE-DAY TRADE INTERRUPTION, ACCORDING TO SUINESS
TRAVELLERS FROM UGANDA, EXHAUSTED RETTAIL SUPPLIES OF
MILK AND PETROLEUM. UGANDA DEPENDS ON KENYA FOR 90
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PERCENT OF ITS PETROLEUM REQUIREMENTS AND 60 PERCENT OF ITS

IMPORTED FOOD ITEMS.

2. A DAILY NATION ARTICLE ON MARCH 1 REPORTED IN ADDRESS GIVEN BY AMIN BEFORE MEETING OF MINISTERS, HIGH GOVERNMENT OFFICIALS AND BUSINESSMEN IN KAMPALA IN WHICH HE DESCRIBED GOVERNMENT ATTEMPTS TO RESOLVE WELL-KNOWN PROBLEMS SUCH AS FOREIGN EXCHANGE SHORTAGE AND LACK OF TRANSPORT FACILITIES. AMIN TOOK THIS OPPORTUNITY TO COMPLAIN ABOUT DETERIORATING "TERMS OF TRADE" WITH KENYA. UGANDAN TEXTILES, FOR EXAMPLE, ARE EXCHANGED FOR HIGHER PRICED GOODS SUCH AS SOAP AND VEGETABLE OILS. IN PARTICULAR, AMIN WAS QUOTED AS URGING UGANDAN BUSINESSMEN TO AVOID PURCHASING KENYAN RE-EXPORTS WHEN THEY COULD IMPORT GOODS DIRECTLY FROM OVERSEAS MANUFACTURERS AT CHEAPER PRICES.

3. ON SUBJECT OF TRANSPORTATION, AMIN ALLEGEDLY ADMITTED THAT 700 TRACTORS WERE LYING IDLE IN UGANDA BUT PROMISED THAT FOREIGN EXCHANGE WOULD BE PROVIDED TO PURCHASE SPARE PARTS. HE FURTHER ANNOUNCED THAT ALL FOREIGN COMMERCIAL VEHICLES TRANSITTING UGANDA -- INCLUDING TRANSPORT FROM KENYA, RWANDA, BURUNDI, AND ZAIRE -- WILL NOW BE REQUIRED TO PAY FOR PETROLEUM AT THE PUMPS IN FOREIGN EXCHANGE. (COMMENT: THIS ACTION IS APPARENTLY IN RESPONSE TO RECENT DECISION BY MOMBASA OIL REFINERY TO CONTINUE SUPPLYING UGANDA ONLY ON CASH-IN-ADVANCE BASIS.)

4. AMIN REPORTEDLY ENCOURAGED UGANDAN INDUSTRIES TO RECRUIT TECHNICAL EXPERTS, CRITICIZING HIS COUNTRYMEN WHO THREATENED EXPATRIATES.

5. COMMENT: PUBLICIZED IN NAIROBI AS A "RETRACTION" OF HIS EARLIER TERRITORIAL CLAIMS, AMIN'S TALK CONCENTRATED ON INTERNAL ECONOMIC DISLOCATIONS WHICH WERE ONLY AGGRAVATED BY KENYAN BOYCOTTS. KENYAN TRADE PROVIDES ONE-THIRD OF UGANDA'S IMPORTS BY VALUE WHILE UGANDAN EXPORTS ACCOUNT FOR ONLY ONE PERCENT OF KENYA'S IMPORT BILL (PRINCIPALLY ELECTRICAL POWER) AND HAVE DECLINED 60 PERCENT IN VALUE SINCE 1974. ADDITIONAL DISADVANTAGES OF THIS LOPSIDED TRADE DEPENDENCE ARE CURRENCY LIMITED OFFICIAL USE

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INCONVERTIBILITY AND A GROSSLY OVERVALUED UGANDAN SHILLING.

DECON 3/1/80.
MARSHALL

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Message Attributes

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